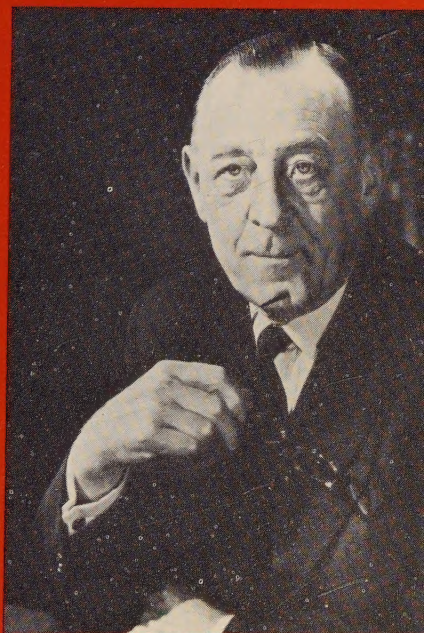
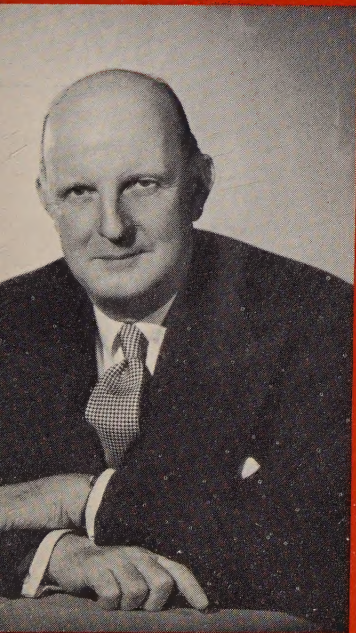


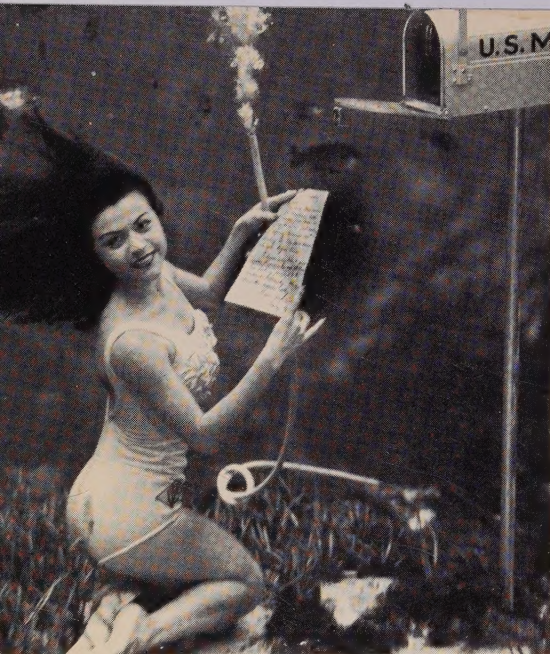
ary 18, 1961

Investor's Reader

For a better understanding of business news



ARMEN COLE & TEMPEL RUN WORLDWIDE UNILEVER (see page 16)



FLUID WRITING

Carrying an oft-quoted gag to its photogenic conclusion, the W A Sheaffer Pen Company of Fort Madison, Iowa shows lovely proof that its new "Skrip 303" non-smear, non-skip ballpoint ink does not fade even under water. Sheaffer Pen began in 1908 when Walter A Sheaffer set up shop behind his Fort Madison jewelry store to manufacture his newly patented lever-filling pens. In 1953 diversifying Sheaffer formed the Tool & Die division to make precision tools

for itself and outsiders. Four years later it acquired Maico, a Minneapolis manufacturer of hearing aids, audiometers and miniature electronic devices for Government and industry.

But pens still write most of the Sheaffer story. For more effective selling the company last May effected a marketing reorganization throughout the US (world sales are handled through foreign subsidiaries and licensees). But work on the marketing program had a disrupting effect on Sheaffer results for the year ended February 1960 with sales off 2% to \$28,721,000 but earnings down 69% to 61¢ on the combined total of 1,690,000 A & B shares. The capitalization results from a 1957 revamping when Sheaffer took its stock off the Big Board (which bars disfranchisement of common holders) so it could be split into a share apiece of non-voting A and voting B stock. Over 40% of both classes are controlled by the Sheaffers. The shares set around a ten-year low of 8 compared with a high of 18 in 1955.

In the August half of this fiscal year, matters improved. With aid from non-recurring profits as well as from the new marketing program, increased Maico sales and better international operations, net income nearly doubled to 46¢ a share from 24¢ on a 5% increase in sales. While president Walter A Sheaffer II feels profits will not keep up the rate of improvement for the rest of the year, "we do look forward to a better year than last." He continues: "In the first year we could not hope to make more than a beginning of our new marketing programs, and much remains to be done before they are completely established. But by more realistically meeting the challenges of today's market, we feel sure we're on the right track."

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Investor's Reader

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January 18, 1961

Expanding Network of Communications

New Pathways Plus Growth of the Old Spur Once-Stodgy Industry

WHEN A FELLOW named Bill Jakes in Holmdel, NJ called a friend named Phil Tardani in Goldsboro, Cal last August, it was the latest event in communications history since Alexander Graham Bell. He had just telephoned Mr Watson 85 years ago. The reason: scientists Jakes and Tardani were projecting their voices by means of the satellite Echo I.

The trans-spatial chat was probably the most dramatic of a recent series of deeds which has propelled the work of the communications industry into public attention more vividly than ever before. Companies in this field include the Bell System, American Telephone & Telegraph; its subsidiaries, some of which also have public stockholders; its biggest rival, General Telephone & Electronics; the world-famous pseudonym for the telegram, Western

Union; also a number of little-known telephone companies, many of them solidly entrenched in growing local or regional areas.

Investors were stimulated too when AT&T announced its second dividend increase in two years to 90¢ quarterly effective this July from 82½¢. The stock soared to an alltime high of 108. The dividend boost was largely made possible by the tremendous growth of telephone usage and the efficiencies attained through the Bell System's many technical triumphs. And it was not just the indication of greater and speedier management liberality (the second hike in two years is of course also only the third in 39) but the hope of dynamic exploitation of such scientific breakthroughs as the Echo I conversation which lay behind the investor reaction.

In any case, AT&T lost little time in seeking to put satellites to work.

In October it announced plans to put the first station of its own satellite relay system into space "within a year" and in its final weeks the Eisenhower Administration gave official blessing to space stations to be operated by private industry. Future Governmental policy remains of course to be settled, especially for international space communications. Besides it will undoubtedly take considerable time for the system to be perfected technically.

AT&T initially plans 20-to-40 solar-powered satellites. They will be "active" and receive, amplify and send back radio signals to the US, Britain and Western Europe whereas the "passive" Echo I only reflects signals.

The satellite program is just one of the fruits, realized and potential, of world-famous Bell Laboratories, research arm for AT&T and its wholly-owned (but not consolidated) manufacturing wing, Western Electric Company.

Giant Brains

Western is one of the nation's largest electronic concerns in its own right though it has but two principal customers: the Bell System and the Government. In 1959 it netted \$102,000,000 on sales of \$2.3 billion. In the first nine months of 1960 Western's volume (nearly one-third to the Government) climbed 18% while profits rose 22% to \$91,000,000.

Bell Labs, with nothing to sell but brainy service, is not operated for profit but simply charges its parents for the work it performs; in

1959 this came to \$35,000,000 for AT&T and \$52,000,000 for Western Electric. Bell Labs employs over 11,000, one-third of them scientists & engineers, and its staff members have won two Nobel prizes—1937 for demonstrating the wave nature of matter and in 1956 for the transistor.

With Bell Labs taking the lead the huge AT&T complex has, according to president Frederick R. Kappel, "spent more than \$1 billion for R&D since 1920 * * * and [maintaining] the present rate we would spend more than that in the next ten years." But the research expenditures are dwarfed by the billions in capital outlays. For projects ranging from satellites to stringing wire in new suburbs, the Bell System plans capital expenditures of \$2.5 billion in 1961. It is in line with average expenditures of over \$2 billion for service improvement and expansion in the past five years, though off a shade from 1960's record \$2.6 billion.

While the satellites will in effect "act as microwave towers in the sky" AT&T is already deep in ground anchored microwave. About one-third of its 72,000,000 miles of long distance circuits use this method of transmission. Actually Western Union was first in the field set up microwave communication between New York and Philadelphia in 1945. AT&T followed ten years later with a New York-Boston route which transmitted both phone messages and TV programs. "The very latest type" of AT&T microwave system can handle as many

0000 conversations at a time. Microwave rival Western Union meanwhile is busy building towards the completion of its coast-to-coast network by the end of 1961. This will increase its total circuit capacity ten times. Currently Western Union leases about 60% of its circuits (mostly from AT&T) but outsiders expect the percentage to drop substantially upon the completion of its new system. The network will initially cost \$56,000,000 and when expanded north & south by 1970 will have cost at least a quarter billion.

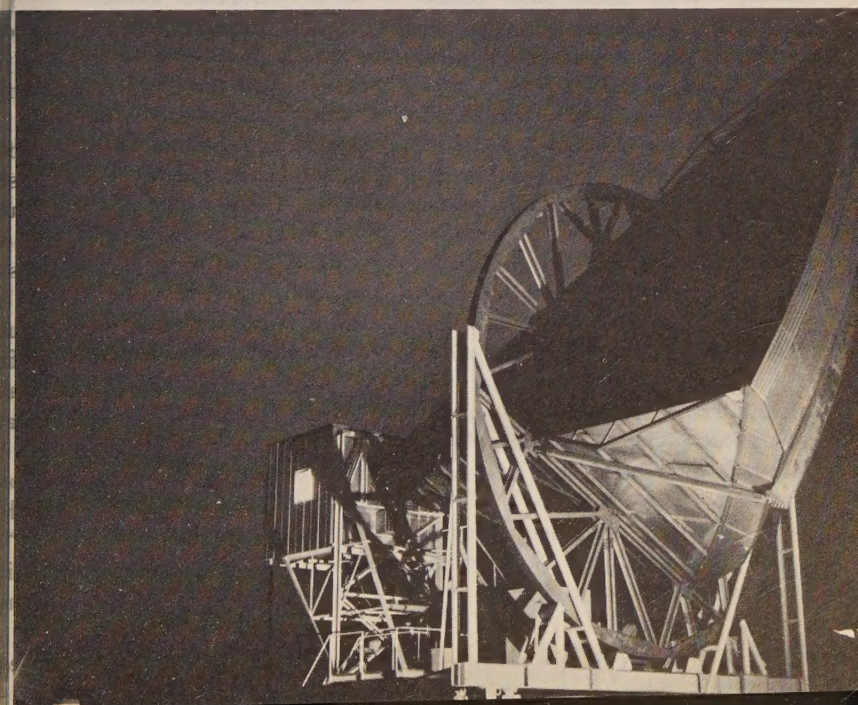
Part of Western Union's microwave system will be devoted to the Air Force's combat logistics network (Comlognet). Western Union is building five large domestic centers linking 450 bases for Comlognet

which will be "due for operation early in 1962." Western Union will lease Comlognet to the Air Force for \$20,000,000 annually.

This incidentally is one of many moves by which Western Union seeks to adjust to the postwar communications setup: gradually less reliance on its common-carrier message service (least of all, on the former profusion of small neighborhood offices with their bikes-full of messenger boys) and more & more special tasks for Government and industry. Unfortunately for the near term, Western Union is still in the costly transition stage (worsened by the recession slowdown in general messages) though it hopes to start realizing the profits on some of its new ventures by 1962.

More fortunate is the telephone

Receiving antenna for satellite communication



industry which, though growing, appears to have passed through most of the growing pains stage. It has been helped tremendously by the postwar affluence which has put more than 80% of American families on the phone—plus such revenue-bringing bounties as extensions, color phones and special devices. Business use of phones has grown even faster.

One big new business phone area is AT&T's Data-Phone system. This translates language from a business machine into tones which can be transmitted over a regular telephone circuit. At the receiving end another Data-Phone unscrambles the impulses and feeds them into computers, teletypewriters or other equipment. Currently a telephone call from the sending to receiving point is necessary to start the data flowing. With some new refinements, the machines eventually will be able to ring up each other without help.

Introduced in 1958, Data-Phone sets now in use number 2,000 with 200,000 expected to function by 1965. Monthly charges now range from \$15-to-50 (plus toll rates) and installation costs from \$25-to-50. AT&T president Frederick Kappel says it is possible "in a few years time data communications will actually exceed, in sheer volume, the communication of speech."

A great advantage of Data-Phone is it uses the regular Bell Telephone network. The company's TWX (teletypewriter exchange service) which was introduced 29 years ago requires a separate network. Pre-

dicts executive Kappel: "A couple of years from now the separate TWX network will be a thing of the past; messages will be switched to their destinations over the big network." He adds: "Service through the big network will begin to take the place of some of the complicated private line systems many businesses now need. An example is Delta Airlines which in 1961 will be the first large business to change over from a private line setup."

Working on its own version of Data-Phone is General Telephone & Electronics, the largest non-Bell System telephonist. Says vice president George P Norton: "We will either manufacture our own or do it on a cross-license with Bell." General Telephone's data transmission is "insignificant now but we are working very hard on it."

Weather Probe

In data transmission—though not by phone lines—Western Union is active building and improving weather information gathering and transmission centers for the FAA, the Air Force and the US Weather Bureau. The new facilities are slated to be finished this year and will add \$1,500,000 to Western Union costs annually. Also to be finished in 1961 is Western Union's bomb alarm system which will be leased to the Air Force for \$2,000,000 a year.

While AT&T will be improving its TWX system by putting it into the main network, Western Union is building its own system to fill customer-to-customer telegraphic needs. This system is called Telex, was introduced in the US in 1958 (it has

en in Europe for some time). While TWX has a basic three-minute charge like a telephone, Western Union's Telex charges customers only for the time they use it. Its telex now has coast-to-coast, Mexican, Canadian, European and other connections. Western Union will spend in excess of \$22,000,000 on it in 1961-62, plans to have 127 cities connected by the end of next year. Still off in the future—beyond the Bellites, in fact—is a Bell Labs development for intercity connections called the wave guide—a hollow tube through which “we shall be able to beam 200,000 telephone messages simultaneously or a couple of hundred TV programs.” The company must wait for development of accessory equipment to handle high volume.

Other recent or coming advances

in the burgeoning communications field:

- The world's first electronic office (ECO), installed by Illinois Bell at Morris, Ill in November. It is an “entirely new kind of switching system,” using 12,000 transistors and is “really an electronic computer.” It allows home extensions to be used as intercoms, calls to be automatically transferred to another number and third parties to be called into two-way conversations. It also permits users to ring a busy line as soon as it becomes available. Although experimental now, ECO is expected to be in production by 1965.

- Visual telephoning. This is “surely coming,” says Fred Kappel, but awaits less expensive methods.

- Facsimile mail transmission. Western Union is currently running a

Some Phone Companies With Public Stockholders

Company	% Owned by AT&T	Phones in Service	The Bell System Rev in Millions		Earnings a Share			Recent Market Price
			1950	1959	1950	1959	1960 Est	
AT	—	60,750,000	\$3,261.5	\$7,393.0	\$4.19	\$5.22	\$5.45*	105
Pacific Tel & Tel	90%	7,500,000	431.3	1,040.7	1.21	1.47	1.55	31
England Tel & Tel	69%	3,200,000	190.9	380.0	2.45	2.21	2.30	40
Mountain States Tel & Tel	87%	2,400,000	92.3	287.5	.94	1.25	1.33*	25
Southern New England	19%	1,200,000	55.0	127.9	2.12	2.51	2.45	48
Connecticut & Suburban Bell	30%	571,000	25.6	50.7	4.59	5.57	6.00	96
Independents								
Company and Area								
General Tel & Electronics (31 states)		4,000,000	\$70.1†	\$375.1†	\$.39	\$1.08	\$1.05	27
Ed Utilities (15 states)		472,000	11.5	42.4	1.39	1.95	2.30	47
Central Elec & Gas (also nat gas)		293,000	18.6	44.9	1.09	1.72	1.95	28
Central Tel (Six states incl Ill, NC)		259,000	7.5	22.3	.80	1.57	1.50	24
Western (NY) Telephone		290,000	12.2	25.9	1.53	1.54	1.60	24
Florida Tel & Tel (North Carolina)		180,000	7.5	24.2	1.50	1.89	no est	42
California Water & Tel (Southern Cal)		155,000	5.3	25.3	1.40	1.96	1.90	31
Southwestern States Tel (Ark, La, Ala, Texas)		144,000	4.3	12.4	1.54	1.44	1.75	26
Florida Telephone (Citrus Belt)		46,000	1.5	5.3	1.27	1.32	1.35	26
Western Light & Tel (Kans, Mo)		38,000	7.1	13.0	1.92	3.21	3.65	50

*Twelve months ended 8/31/60

†Telephone subsidiaries only.

public facsimile service called Wirefax between New York, Washington, Chicago, Los Angeles and San Francisco. International Telephone & Telegraph is testing an experimental facsimile mail transmission system for Government letters between Washington, Chicago and Battle Creek, Mich. AT&T president Kappel predicts "it is quite possible that trade publications, news bulletins and even newspapers will be widely circulated over electrical circuits."

Still More Phones

Of course plenty of growth is also expected in the more mundane world of ordinary telephone conversation. Fred Kappel says: "Right now there are 133,000,000 telephones in the world and we expect that by 1980 there will be about 500,000,000. Probably as many as 100,000,000 overseas calls will be made annually," compared with about 4,000,000 in 1960. Within the US, long-distance calls have already multiplied from an average of 2,700,000 daily in 1940 and 5,400,000 in 1946 to an estimated 9,750,000 in 1960. As for local chats, they have gone up from 85,877,000 daily at the end of War II to 209,500,000 a day last year.

The \$21 billion-assets Bell System which operates in every state except Alaska and Hawaii services 82% of the 74,200,000 US telephones. Bell companies handle over 90% of long distance calls originating in the US and half of their 40,000,000 customers (extensions, multiple trunk lines, etc bring the total of Bell phones to 60,750,000)

can originate direct distance dialing (DDD)—a system expected to be "almost universal" by 1965. The rest of the phone business is in the hands of 3,500 independent companies, almost all of them interconnected with the Bell System.

Second in the industry is \$1.8 billion-assets General Telephone & Electronics Corp with over 4,000,000 phones, 92% dial (v 97% for Bell) and 25% with DDD. It serves 31 states including Alaska. It merged Sylvania Electric Products in 1959 and also acquired four other electronic and phone equipment makers during the Fifties. These provide both diversification and a source of communications equipment & research.

A relatively tiny third but obviously no pigmy (\$163,000,000 assets) is United Utilities Inc of Kansas City with 472,000 phones in 15 states from Oregon to Pennsylvania. It also owns several electric and propane gas companies. Its phones are now 77% dial v only 45% in 1958. Another with utility sidelines is Central Electric & Gas Company of Lincoln, Neb. Through controlling interests in Central Telephone (54% owned) and Southeastern Telephone (62%) of Tallahassee, it has 293,000 phones in operation, over 80% dial.

The net result of scientific advances on the one hand and simple expansion on the other has been to push communications utilities beyond the widows' and orphans' class—and give them listing in the moderate growth stock pages of many an investor's directory.

BUSINESS AT WORK

BANKING

Sight on Earnings

[NOT OFF the presses with their accustomed vigor New Year's week were the reports of the major banks. They showed a good 1960, topping a good 1959 by 10-to-20%. Some of the stars were Morgan Guaranty with operating earnings 17.9% to \$6.91 a share, Irving Trust with an 18.5% gain to \$3.43 and Long Island's combative Frank National up 19% to \$2.70. First National City Bank, the nation's third largest, gained 9.3% to \$6.07. There were some forebodings of things to come for the banks as a result of lower interest rates. For instance, Morgan Guaranty's indicated fourth quarter earnings were a shade from the 1959 period.

* * *

Another traditional early reporter of the computer-conscious Chesapeake & Ohio which "flashes" results to stockholders the first business day of each year. While most roads suffered sharp declines this year, C&O profits eased only to \$5.60 a share from \$5.60.

MANAGEMENT

Diamond Deals High

ONE OF the few companies to live up to or at least reiterate earlier fiscal predictions is matcher and packager Diamond National Corp. Last week Diamond president and chief executive officer William H. Walters announced profit for the year just ended should be about \$12,800,000 or \$2.70 a share

on sales of about \$240,000,000. He further expects Diamond to net another 15-to-20¢ on its European operations, virtually the same as in 1959.

This confirms the prediction president Walters offered last October when he addressed the New York Security Analysts. It compares with \$10,300,000 or \$2.15 a share Diamond National netted on a \$229,000,000 volume in 1959.

The healthy forecast is reflected in Diamond National stock. The 4,500,000 common shares behaved well in the generally sloppy 1960 market. Up from 29, they currently trade on the Big Board only one point off the year's high of 38.

President Walters credits two factors for the boost in DN fortunes — a "drastic reorganization" and the company's diversification into packaging and printing. The reorganization began back in September 1959 when Bill Walters took over the presidency of newly named Diamond National after the merger of Diamond Gardner and US Printing & Lithograph.

Since then the company has saved more than \$5,000,000 in what executive Walters calls "a general tightening of operations." The bulk has been a clean-up of industrial relations work at the divisional level. There have also been savings from such things as fewer outside consultants and a cutback of company planes from six to two.

Another saving has been in payroll and overhead costs through a series of employee discharges and



Reorganizer Walters

resignations at both high and low levels. Most recent executive change was the October resignation of chairman Robert G Fairburn who subsequently sold all his Diamond holdings.

This left Diamond National affairs completely in the hands of president Walters who had pretty much run the show since the merger anyway. A completely selfmade man of 58, Walters left school to begin work at age 14. Two years later he was hired as an apprentice at the Brooklyn plant of US Printing. He worked his way up to Eastern division manager in 1937, vp in 1938 and president in 1948.

The company he now heads was originally formed in 1881 as an amalgamation of the country's ma-

jor match manufacturers. Diamond's diversification into packaging began in 1947 when the then Diamond Match Corp developed the "Foodtainer" tray for prepackaging perishable foods for self-service.

But the real emphasis on packaging began with the acquisition program initiated in 1955 when Diamond bought General Package, a molded pulp and paperboard carton maker. In 1957 it merged with Gardner Board & Carton for further paperboard and boxboard capacity. US Printing (which Gardner had supplied with paperboard) added printed packaging and advertising materials.

The result is today Diamond's match and lumber lines account for just a little over one-fourth of company business as against two-thirds of production as recently as five years ago. This percentage is due to become even smaller as Diamond continues to investigate diversification possibilities in the chemical and printing ink fields. It recently purchased a major lithography and printing plant in New England which is expected to contribute \$10,000,000 to company sales. A \$7,000,000 molded paper egg carton plant in Ohio to be ready in a year should add another \$6-to-9,000,000 sales a year.

With these factors in mind president Walters has no hesitation about a future flourish in Diamond National fortunes. For this year he is already predicting a 5-to-12% increase in company sales with a corresponding 8-to-10% gain in profits.

RAILROAD EQUIPMENT

General Steel Castings
Diversifies With Busy
Transit Car Builder

LONG-NEGLECTED riders of the New York Subway system's BMT division, resigned to shaky cars as ancient as 1914, began to travel toward a more streamlined future in October when the first of 550 bright new high-speed, easy-riding, quick-acceleration cars were put into service. The remaining cars are being delivered by builder St Louis Car Company on a 30-to-40-a-month schedule through early 1962.

The BMT order and prospects of other major transit business are also counted on to provide a more pleasant ride into the future for General Steel Castings Corp of Granite City, which acquired St Louis Car last year. General Steel (or GSE to Big Board ticker watchers) was formed in 1928 by American Steel Foundries, American Locomotive and Baldwin Locomotive primarily to provide large castings for their railroad equipment operations. Pullman became the fourth stockholder in 1929. With railroad business stalled in the Thirties, General Steel had accumulated a \$14,600,000 deficit through 1939. But thanks to resurgent industry plus substantial orders for cast armor for tanks, the company has traveled safely in the black ever since. In the past two decades it was able to spend \$34,000,000 to redeem all first mortgage bonds and transfer stock (including arrears which had mounted to \$61.50 a share by 1941).

At headquarters in the Granite

City plant, about a half hour's drive upstream & across the Mississippi from St Louis, GSE president Charles P Whitehead recently explained the company's venture from castings into cars: "Once we'd gotten our own house in order, we felt we could look around for a possible acquisition. St Louis Car presented just the right thing. It enabled us to stay in a field we know and presented possibilities for integrating some sales and engineering operations."

General Steel paid \$2,200,000 cash and assumed \$5,800,000 of St Louis Car debt. To finance the acquisition General Steel negotiated a \$6,000,000 insurance loan at 5¾% to be repaid during 1963-74 and sold publicly 100,000 shares of common at \$23. As part of the same offering American Steel Foundries sold out its remaining 197,000 shares (24%). Since American Locomotive, Baldwin and Pullman all disposed of their holdings in 1953-59, GSE no longer has any single large holder among the 6,000 owners of its 916,000 common shares.

President Whitehead frankly states: "We were interested in the St Louis Car backlog which at the time of purchase totaled \$30,000,000," quite an impressive figure when one considers General Steel's own total volume in 1959 came to only \$39,000,000. By now St Louis Car has a \$58,000,000 backlog.

With its 70 years experience as a car builder, St Louis Car has snared an astounding 86% of the 2,370 subway-elevated car orders during the last decade. But there is formidable competition from Pullman,

ACF Industries and auto truck body & stainless steel rail car specialist Budd Company.

St Louis Car sales averaged around \$22,000,000 annually during the Fifties with profits approximating \$1,000,000. President Whitehead concedes St Louis Car "had been a little short of cash but they are a low-cost producer and we see no evidence as yet that major capital expenditures are needed here." However he points out General Steel is providing "a lot of assistance right now in the way of management, sales and engineering skills."

This aid is already paying off. While General Steel's "casting business is off," St Louis Car will contribute about \$10,000,000 to fourth quarter sales. On a full-year consolidated basis GSE sales will be about

Charlie Whitehead of General Steel

IR PHOTO BY TANAHEY



\$49,000,000 and earnings are expected to be "about the same as [for GSE alone] the year before, around \$2,000,000." President Whitehead admits: "Our earnings would have been down but for St Louis Car." Even so with the extra 100,000 shares outstanding this will mean roughly \$2.25 a share in 1960 compared with the \$2.48 in 1959.

For 1961 St Louis Car deliveries are figured at \$45-to-50,000,000. With General Steel itself working on a casting backlog of \$17,000,000, the consolidated sales total should far exceed the 1960 volume. President Whitehead hesitates to predict earnings but does "expect substantial improvement."

Although only five US cities have rapid transit systems (New York, Chicago, Philadelphia, Boston and Cleveland), some industry experts project replacement needs for just these systems during the next ten years at between 2,350 and 3,500 cars with additional cars for expansion. With other cities like Atlanta, Los Angeles, San Francisco and Washington now actively considering rapid transit systems Charlie Whitehead hopes for an enlarged market, notes: "St Louis Car is capable of making cars for all types of systems including monorail."

GSE is also interested in riding other diversification tracks. The 61-year-old president explains: "We're actively at work looking for possible additional acquisitions but there is nothing that we are giving serious thought to at present. We've got to thoroughly digest St Louis Car first."

He also stresses General Steel, although interested in diversifying, will stay in the industrial field where we have special skills and experience." The company specializes in the engineering, design, production, machining and heat treating of large complex steel castings. Its 17-acre main plant and corporate headquarters at Granite City and a 12-acre facility at Eddystone, Pa. are among the largest steel foundries in the US.

Switch To Industry

Originally the company's steel casting business was predominantly for the railroads, mainly bed frames and giant steel castings for steam locomotives. But with the switch to diesel, General Steel's business also changed. Today the company (not counting St Louis Car) still gets a little over one-third of its business from railroads but this is down from 50% in 1955 and 83% in 1950. And the nature of the rail products has changed as steam locomotive castings have been replaced by a wide group of specialty items including truck castings for high-speed freight, passenger and rapid transit cars and one-piece underframes for hopwood and flatcars.

Meantime industrial castings accounted for 45% of sales in 1960 vs 27% in 1955. Major items include castings for turbines and other power installations, earthmoving equipment and ships.

Industrial castings were expanded in 1955 with the acquisition of National Roll & Foundry which manufactures rolling mill rolls for the steel industry, now some 10% of

General Steel Casting's total volume.

During War II and again in Korean years 1952-53 tank armor and other defense products represented more than half of the company volume but by 1960 they were down to approximately \$6,000,000.

Considering the notoriously cyclical part of the capital goods industry in which it operates, General Steel has managed to do rather well in the present era. In eleven of the past twelve years it has netted more than \$2,000,000 with peaks of \$3,220,000 (\$3.89 a share) in 1953 and \$3,360,000 (\$4.15) in 1957. One segment little affected by cycles appears to be the foreign operations. President Whitehead states: "We have had licensees overseas since 1939. On an overall basis they have provided a fairly steady income. In 1960 they contributed about half a million gross income."

Looking ahead president Whitehead comments: "Our casting business will continue to be affected by cyclical buying of utilities and railroads but our entrance into the rapid transit car market with St Louis Car will add stability to profits in the years ahead."

While waiting for this future to materialize, stockholders can pocket a fat 40¢ quarterly dividend (upped from 35¢ in 1958). Since the stock which climbed from 17 at the end of 1957 to 31 in mid-1959 now has settled back to around 26, this provides a yield of better than 6%. And president Whitehead is reassuring: "Stockholders don't have to worry about the \$1.60 annual dividend in 1961."

WALL STREET

A Look at Some Lows

THE 1960 stock market was marked by retreat. Measured by the popular Dow-Jones industrial average it dropped as much as 17% from its start-of-the-year alltime peak though the subsequent recovery cut the loss for the full year to

not quite 10%. The broader-based Merrill Lynch 540-stock composite index lost only 3% for the year after a maximum dip of 11% as of October.

But as always the "general market" blankets a wide diversity. Thus the Merrill Lynch index shows the soft drink group up 45%, cigarettes

A SAMPLING OF STOCKS WHICH DROPPED

	1951-59 High Low	1960 High Low	Recent Market		1951-59 High Low	1960 High Low	Recent Market
Auto & Aircraft				Mining			
Chrysler Corp	101 1/2 44	71 7/8 38	39 3/4	Anglo-Lautaro Nitrate "A"	15 1/4 4 1/8	6 1/2 3 3/4	3 3/4
Greer Hydraulics	21 5 3/8	7 3/8 2 3/4	3	Bunker Hill	32 1/2 9 1/8	12 9	10 3/8
Motor Wheel	33 3/8 12 1/2	23 1/4 11	12	Carey, Baxter & Kennedy	13 5 3/4	8 3/8 4 1/2	5 1/8
United Aircraft Prods	10 3/8 4	8 1/8 3 3/4	4 1/8	Kerr-Addison Gold	22 13 1/2	22 5/8 10 1/2	12
Young Spring & Wire	49 3/8 20	37 1/2 19 1/4	24	Patino of Canada Ltd	10 1/8 3 1/4	4 7/8 3 1/8	3 1/2
Food & Beverages				Sunshine Mining	15 1/4 5 7/8	7 3/4 5 1/8	7
Francisco Sugar	24 5/8 6	8 3 1/2	3 7/8	West Kentucky Coal	44 1/2 13 7/8	17 9 1/2	10 1/2
General Baking	14 1/2 9	12 3/8 8 7/8	8 1/8	Oil			
Goebel Brewing	9 1/2 2 1/4	3 7/8 1 5/8	1 7/8	Gridoil Freehold Leases	13 5/8 1 1/2	2 1/2 3/4	7/8
Guantanamo Sugar	14 1/4 4 1/4	8 1/2 1 1/4	2 1/8	Pantepec Oil	8 7/8 1	1 3/8 1/2	5/8
Nat Sugar Ref	42 1/8 23 7/8	28 1/8 16 1/2	19 1/4	Plymouth Oil	40 1/4 21 3/4	25 3/4 15 1/8	21 3/4
South Puerto Rico Sug	58 3/8 18	21 14	16 1/2	Royalite Oil	24 1/2 6	10 5 5/8	6 1/8
United Fruit	73 5/8 23 1/8	31 1/4 14 7/8	18 3/8	Retail			
Ward Baking	27 3/8 11 1/8	15 3/4 9 1/2	10 3/4	Beck Shoe	17 3/4 10 3/8	13 1/4 9 5/8	10
Machinery				Dejay Stores	7 3/8 2 1/2	3 1/8 1 3/4	2
Bucyrus-Erie	56 3/4 19 3/4	24 1/4 12 1/2	14 7/8	S H Kress	57 1/4 23 1/2	34 1/2 19 7/8	22 1/4
J I Case	39 3/8 11 1/2	22 1/8 7 1/2	8 7/8	Montgomery-Ward	53 3/4 26 7/8	53 3/8 25 1/2	28 3/4
Thew Shovel	56 1/4 17 1/8	20 3/4 15 5/8	17 1/4	Rubber			
				Brown Rubber	19 7/8 6 1/2	8 3	3 1/4

All figures adjusted for stock splits, etc.

33%, office equipment 32% while the chemical, steel and rubber categories fell 22-to-27% and carpets plunged 42%. Action of individual stocks varied even more widely with such gala performers as Brunswick Corp and Chock Full O'Nuts up 34%, Metrecal-sponsor Mead Johnson 109%, discounter Korvette

94%. On the downside Studebaker-Packard skidded 68%, J I Case 60%, Admiral 54%.

Among the stocks on the 1960 downgrade were a sizable number which dipped to the lowest level in ten years or more. A fair-sized sampling of these is given in the table below. The list covers a

TEN-YEAR LOWS DURING 1960

	1951-59 1960				1951-59 1960		
	High Low	High Low	Recent Market		High Low	High Low	Recent Market
Dewitt-Robins	46½ 20¼	28 18½	20¾	Reading Company	37¾ 16¾	18¾ 8¼	8¾
Lee Rubber & Tire	30½ 15½	24¼ 14½	14½	Texas & Pacific	182½ 76¼	108 65	71
Steel				Twin City Rapid Trans.	20½ 7¾	11¾ 7	10¾
Acme Steel	38½ 19¾	32¾ 16	19½	Miscellaneous			
Die Forge & Steel	10¼ 4	7 3	3¾	Acme Wire	38 14¼	21½ 12¼	13
Phoenix Steel	48½ 11½	16 7	8¾	Atlas Corp	12½ 5¾	6½ 3	3¾
Pittsburgh Steel	39½ 12½	22¾ 10¾	12¾	Brazilian Traction Lt & Power	13¼ 4¾	5¼ 3¾	4½
Tharon Steel	59¼ 25	43¾ 19½	23¾	Consol Paper Company	30 12½	16½ 10½	10¾
Transportation				Firth Carpet	14¾ 6½	13¾ 6½	6½
Chicago & East Ill	27¾ 9¾	17 6½	7¼	Industrial Rayon	68½ 13½	22¾ 13¼	19½
High Valley	25½ 5¼	7¾ 3¾	4¾	Lamson & Sessions	35½ 14	26½ 13¼	14
Knoxville & Nashville	109 48½	78¾ 47¼	53½	Merritt-Chapman & Scott	28¾ 14	18¼ 8½	9¼
Missouri-Kans-Tex	21¾ 3¾	6¾ 3¾	3¾	F C Russell	11½ 2¼	3¾ 2½	2½
Moore-McCormack Lines	25¼ 11½	14½ 10¾	11½	Royal McBee	40¾ 14½	21¾ 11¾	13¾
National Airlines	30 11½	17½ 10	10¾	Scovill Mfg	40¼ 19	30 16	17
N.Y., New Haven & Hartford	39 4¾	6¾ 2½	3½	Screw & Bolt of Amer	11 6	8¾ 4¾	5
Norfolk Southern	19½ 5½	6½ 3¾	4¼	W A Sheaffer Pen	18¼ 8	9¾ 7¾	8
Pennsylvania	30¾ 11½	17½ 10¾	12	US Industries	19¼ 7½	13¾ 7¼	9¾
Pittsburgh & W Va	35¾ 16	18 9½	10½				

good many industries with particularly heavy concentrations found in sugar, which has certain obvious bitter problems, some of the smaller members of the slowed-down steel industry and various railroads, mostly in the East. Two companies might bear special mention to avoid mistaken identity: United Aircraft Products is a \$4,300,000-assets Dayton producer of parts for aircraft engines, fuel systems, etc, not to be confused with \$530,000,000-assets United Aircraft Corp of Hartford; the Consolidated Paper Company of Monroe, Mich sells approximately \$20,000,000-a-year of containers, board, etc whereas Consolidated Paper Corp Ltd of Montreal is a \$100,000,000-a-year newsprint specialist and sells within 10% of its ten-year high.

Some stocks like Plymouth Oil have recovered quite a bit from their decade's low. However some others dipped even lower the first week of 1961, including General Baking and Lee Rubber both of which halved their dividend.

The table lists only common stocks. However a number of preferreds like those of J I Case, New Haven Railroad (whose 5% convertible A preferred sold as high as 71 in 1955, is now quoted at 5), the Reading and South Puerto Rico Sugar are also at ten-year lows.

While many of the companies on the list are relatively small, it does include some industrial giants. One outstanding example is Chrysler Corp which has been on both a stock price and auto sales roller coaster through most of the Fifties.

Montgomery Ward has found it costly to try and catch up with the postwar expansion boom after its late start but feels it has a base for a solid future. The big Pennsylvania Railroad, operating in the high-cost, short-haul East, has been particularly hard hit by the recession cycles and strikes (steel and its own), but has vast assets and is eagerly watching the growing merger movement among its affiliates, spearheaded by Norfolk & Western.

There is of course much diversity in characteristics and outlook of the companies on the list. Some no doubt face a bleak future which is reflected in the price of their stocks. But others may well have hit a low because of disappointing near-term operations and may be set for more prosperous years. All of which reemphasizes the fundamental rule for all investing, whether in low or high priced stocks: the wise investor must study each specific stock carefully before he commits his money.

UTILITIES

Laclede Thrives on Chills

LAST WINTER was a miserable one for the St Louis area—the coldest in 20 years. But the shivery winds certainly blew good for one 118-year-old St Louisan—the \$130,000,000-assets Laclede Gas Company which credits 26¢ of the \$1.55 earned in the fiscal year ended last September to the 11% colder-than-normal Winter. Like most gas distributing utilities, Laclede sells ever-more gas for space heating so winter weather is of increasing im-

ortance to its annual revenues. The current season also appears cheerfully chill. Financial vp George Hays reports: "So far this year's heating season has not been quite as cold as a year ago but it's better than normal." He adds: "The rate increase of \$3,000,000 annually effective last April and our gain of new customers should more than offset any decrease in revenue due to weather. Our revenues may be better than \$65,000,000."

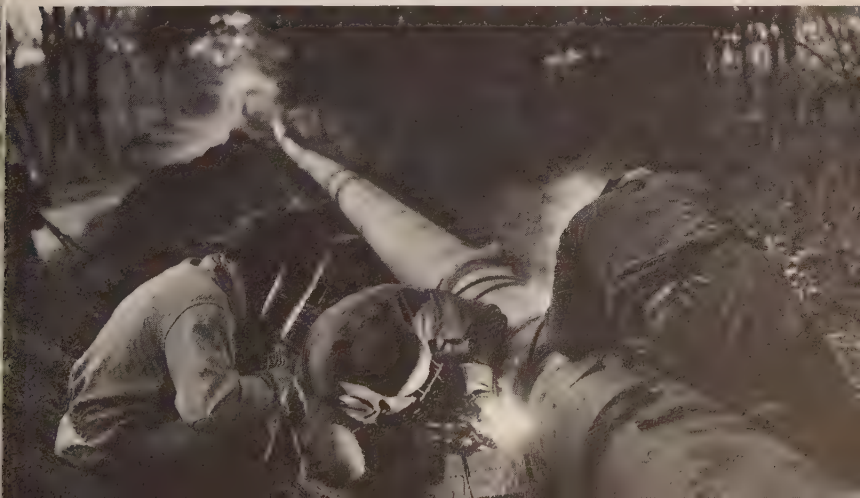
This compares with the 1960 record of \$62,000,000 and \$20,700,000 in 1950. During the same period earnings have more than doubled while dividends were boosted from 10¢ to the current \$1.05 annually. And vp Hays concedes another hike in 1961 is a "reasonable possibility." Meantime Laclede's 3,600,000 shares now trade at an alltime high of 25 1/4 on the Big Board, quadruple the 1950 level. To aid further growth a new pipeline by a subsidiary of Mississippi River Fuel Corp is due to provide Laclede with an additional

42,500,000 cubic feet of gas by Summer. Comments vp Hays: "This will enable us to serve about 22,000 new house heating customers (we have 222,000 now) and since there are more than 20,000 already on the waiting list, a ready market for the new gas exists."

Laclede is also further developing its Lange Storage Field in the northern section of St Louis County. The initial storage zone 1,400 feet below the surface holds slightly more than 11 billion cubic feet and a second zone now underway should "double the effectiveness of the project."

Laclede whose forerunners began to provide gas to St Louis in 1842, switched entirely to natural gas in 1949 and since then its distribution volume has more than tripled. "Our competitive position is one of our strong points. No other gas distributing company operates in the [well-diversified St Louis City & County] area. And in this region, gas sells at a discount from oil and coal."

Laclede welders build more pipeline



The Wide, Wide World of Unilever

Dutch-English Giant Serves More Food Plus Soap & Margarine

ALL OVER the Free World millions of people rarely go through a day without using margarine, soap or some product made by a corporate siamese twin known as Unilever NV (Holland) and Unilever Ltd (Britain). Yet outside of trade and financial circles, most customers do not know this double-based world-spanner by name.

What they do know almost as well as their own names is the brand names of the company's products. The all-star cast in the US alone includes Lux, Pepsodent, Stripe, Spry, Lifebuoy, *all*, Surf and Lipton's Tea. In Europe there are Sunlight Soap, Vim, Radion, Extra, Omo, Sunil and Skip in the soap field, Blue Band, Planta and Rama in margarine, Unox canned meat, Royco dried soups, Wall's ice cream and John West Middle Cut Salmon.

To get an idea of the magnitude of Unilever, consider its US subsidiary, Lever Bros Company. The third of the Big Three "soap" giants after Procter & Gamble (with \$1.4 billion sales in the June 1960 year) and Colgate-Palmolive (\$582,000,000 in 1959), Lever Bros amassed a 1959 volume of \$410,000,000. Yet this comes to less than one-ninth of parent Unilever's consolidated \$3.7 billion turnover to outsiders which in turn is nearly double the global sales of P&G and Colgate put together and topped by only five industrial companies in the world.

Unilever also reports "total" volume which includes sales of one subsidiary to another. On this basis total turnover came to \$5 billion in 1959 of which European business accounted for 61%, North and South America together 13%, Africa, Middle East and Australasia 5%, the Orient 5% and the company's African trading subsidiary, the United Africa Group, 16%.

Of this turnover, 23% was oils & fats, mainly used within the organization, 17% soap and other detergents, 16% margarine, 12% foods including ice cream, 11% merchandise handled by the United Africa Group and 9% animal feeding stuffs. The remaining 12% includes toilet preparations, glycerine, tropical produce handled by the United Africa Group and transport services.

Rotterdam & London

Unilever (which could spell its name UNilever) now comprises 500 companies in 50 countries. At the top are firmly intertwined Dutch and British holding companies, the one based in the magnificently rebuilt city of Rotterdam, the other on the banks of the Thames next to Blackfriars Bridge in London. Their boards are identical, except that F J Tempel is chairman of the Dutch company and George Cole is vice chairman while the positions are reversed in Britain. By an Equalisation Agreement, the two companies share equally in the profits.

In function, each Unilever company has its specific responsibilities and jurisdiction. The British com-

any controls all the group's assets in the British Commonwealth and also the United Africa Group. The Dutch company is in charge of all assets outside the Commonwealth, including Lever Bros.

The origin of the group's name explains to a certain extent its history. The "uni" comes from Margarine Unie, which in turn resulted from the 1927 union of two powerful Dutch margarine makers. The "lever" comes from William Heston Lever (later Lord Leverhulme) whose soap business in Britain formed the heart of Unilever Ltd. The "uni" united with the "lever" in 1930.

The Dutch origins of Unilever trace back to the 1860s in the town of Oss in North Brabant where two families named Jurgens and Van den Bergh were rival butter traders. The Jurgens brothers became the first firm to manufacture margarine in 1870 when it obtained rights to the invention of a Frenchman, Mege-Mouriès. The product derived its name from the Greek word *marperites*, meaning pearl, and was so named because of its pearl-like appearance.

The original raw materials were animal fats and skimmed milk. The process could not be patented nor kept secret, so the Van den Berghs followed in 1871 and a fierce competitive race was on. Both companies flooded their markets and their sources of animal fats and when the process of hydrogenation made it possible to convert liquid oils to solid fats, they were able to employ distant oil sources from all parts of the

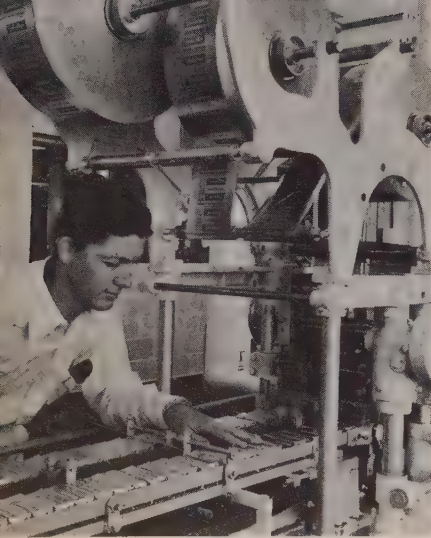


Lovely miss & Dove

world with emphasis on the Tropics.

Though always in contact with each other, sometimes cooperating and other times in dispute, the two companies finally engaged in a knock-down, drag-out margarine war in 1927 only to shake hands and wind up merged. Because both had British interests, two new companies were established, NV Margarine Unie in the Netherlands and Margarine Union Ltd in Britain. These two formed the model for the biped company to which Lever was fitted three years later.

For its part Lever, founded in 1885, revolutionized the soap industry in Britain. It was the first to mass produce soap, develop and capitalize on brand consciousness with Sunlight Soap, provide attractive packaging, etc. It also paid close attention to employee welfare and always sought to broaden its lifeline of raw materials. As a result it was able to absorb many of



Wraps for Unilever margarine

its competitors and cause others to follow its methods.

The junction of margarine interests with soap made sense since both use the same materials; also both groups already had worldwide facilities for growing and gathering them. Van den Bergh had raw material purchasing companies in Nigeria and Ceylon and a syndicate with Jurgens for the cultivation of palm oil. Jurgens in addition had oil mills in the Dutch East Indies and in South America. And Lever had plantations in the Solomon Islands, an African trading company known as the Niger Company and plantations in the Belgian Congo plus interests in whaling companies.

NV's chairman Tempel, 60, and Ltd's chairman Cole, 54, illustrate the wide variety of experience which comes from Unilever's worldwide operations. After studies at the Rotterdam School of Economics, F J Tempel started in 1923 in a five-

guilder-a-week post writing invoices for Van den Bergh. He likes to recall wryly they did not trust him far in those days: "When there was an invoice for more than 25 guilders, I was not allowed to write it." In 1929-40 he served in France, Italy, Britain and Germany. He was in Holland through the German occupation, then returned to Germany to advise the British government on reorganization of Unilever business there. He became a director in 1947 and in 1952 went to England where he has lived since. He became chairman in 1955.

George Cole got his start in the Niger Company in 1923 before it was merged into United Africa Company. By 1932 he was in charge of United Africa's provision buying and by 1940 headed all its business in British West African territories. During War II he directed the company's shipping of materials through West Africa for the North African campaign. By 1952 he had risen to joint managing director of the United Africa Company and in 1955 went to the Continent to work for the parent company. He was named chairman of Ltd and vice chairman of NV last April on the retirement of Lord Heyworth.

One casual look at the product grouping of Unilever hardly shows the evolution which the company is undergoing. From being almost entirely devoted to margarine and soap, it is spreading out more & more into straight food lines. This can be seen in figures for capital investment in the Netherlands and the United Kingdom where, NV

Chairman Tempel says, "we are in the habit of trying our new developments * * * capital expenditure here is a reasonably good guide to the kind of thing which we expect eventually to be important in our operations throughout the world."

Over the past decade 37% of the \$16,000,000 in capital expenditures in the two parent countries has gone into food operations. And during the last three years Unilever's total "outside" sales rose 9% but food sales were up 28%.

The Unilever food trend takes in the fields of quick-frozen foods, soup mixes, ice cream, canned products, fish, meat products, tea, processed cheese, cream manufacturing and whipped topping for puddings & cakes. Unilever has the rights to the Birds Eye name in all parts of the world outside the US, its possessions and the Philippines (Birds Eye is owned in the US by General Foods). Other brand names are also in the diet. In the Netherlands Unilever food products sell under the name Vita. In the US a recent acquisition is Dinner-Redy Corp, a maker of quick-frozen ready-to-eat dishes.

A Step Into Chemicals

While Unilever has concentrated mainly on goods retailed through groceries, the company has also taken a step into chemicals. In cooperation with Emery Industries Inc. of Cincinnati, it has formed Unilever-Emery NV to make polymers used in polyamide resins, polyurethane foam, alkyd resins and corrosion inhibitors. Production at the Gouda, Netherlands plant started in October. Raw materials are fatty

acids which are by-products of margarine production.

Also taking a different direction is the United Africa Group. Chairman Tempel explains: "We are changing over from a trading and produce-buying concern to a merchandising and industrial business." United Africa Group produces plywood, plastics, cement, beer and mineral waters; it runs shops and department stores and assembly plants for bicycles and motor vehicles. As a result of its deliberate withdrawal from produce handling, the Group's total turnover (merchandise sold, produce handled and services supplied) eased to \$786,500,000 in 1959 from \$792,600,000 in 1958. But while produce handling fell 15% to \$188,420,000, sales of merchandise rose 7% to \$562,900,000.

Both the activities of the United Africa Group and the Unilever-owned plantations in the Belgian Congo have given cause for some worry to shareholders. About 4% of Unilever's total resources are in the Congo and "a rather smaller proportion of its profits is derived from the Congo business," according to an official spokesman. On instructions from the company all the families of the 550 European personnel have been withdrawn, as have some of the European managers. Says the spokesman: "When conditions return to normal, Unilever has every hope of being able to continue with its development plans."

Unilever recently experienced trouble of another kind at home in Holland when some 100,000 people

came down with skin rashes apparently traceable to the company's newly revised Planta margarine. The company has replaced the inventory, changed the method of making Planta and is paying claims filed by those afflicted. While margarine in Holland accounts for only 1.6% of global Unilever sales, "we naturally took this very seriously."

The company's worldwide volume has climbed 72% since 1952 and 6% during 1959 alone. All evidence points to continued growth. The most recent report shows sales to outsiders in the first six months of 1960 were \$1.9 billion *v* \$1.8 billion.

Stock of Unilever Ltd is traded on the London Exchange while that of NV is traded on both the London and Amsterdam Exchanges. In the US, there are American Depositary Receipts for both companies but those of NV are more popular because the Dutch government places no tax withholding on dividends while Britain does.

The basic NV shares are 1,000 florin par (the florin is another name for the guilder which is worth about 26½¢). The ADRs are for 1/20 of a 1,000 florin share so simple arithmetic makes them equivalent to 50 florin par and this is what they are called in the stock tables. The ADRs for the British shares are £1 (\$2.80) par.

Based on the ADRs of the Dutch company earnings for the first half of 1960 came to \$4.45, off somewhat from \$4.68 the year before because of a decrease in non-operating income. Full-year 1959 earnings were \$9.44, up from \$7.37 in

1958 and only \$3.20 back in 1952.

Since trading in the Dutch ADRs started in 1955, they have risen from 49 to 131 and now trade around 103. With one ADR of the Dutch shares being roughly equal to five of the British, the price on the latter is around 21.

Funds Plowed Back

Unilever has followed a conservative dividend policy, preferring to plow the funds back into the company. Dividends on the Dutch ADRs came to \$2.63 in 1960 *v* \$1.95 in 1959. Comments chairman Tempel: "So long as the business does grow and so long as the dividend shows a steady rise, I doubt whether any shareholder in Unilever feels aggrieved by the amount of profit we plow back into the business. If he were that sort of shareholder, he wouldn't be in our sort of company."

And Unilever certainly has concentrated on plowed-back funds. Only once in the last decade has it gone into the capital market, for debentures in 1950. Thus, when the company does choose to borrow for the long term it can wait until interest rates are favorable.

Among the signs of financial progress (and proof of successful reinvestment) it likes to stress, Unilever can show a return on capital employed of 10.3% in 1959 compared with 7.4% in 1950. And as the worldwide standard of living increases, Unilever looks to spread out among its potential 1.8 billion customers. The higher the standard of living, the higher the profit margins on items the company produces.

Rubber To Rockets To Radio-TV

Diversified General Tire Gets Boost From Aerojet and RKO

THREE BROTHERS named O'Neil came to Manhattan last night to discuss the thriving corporation their father founded 45 years ago on \$200,000 capital. Principal spokesman for the trio was its youngest member, 38-year-old Michael Gerald O'Neil, who last April succeeded his father William ("W") as president of \$327,000,000-asset General Tire & Rubber Company.

Assisting Gerry were brothers John, 43, chairman of the finance committee, and Tom, 45, who heads radio & TV subsidiary RKO-General and is vice chairman of the General Tire board. Also on deck is president Truman's Navy Secretary Dan A Kimball, 63, president of the company's red hot rocket subsidiary, 84%-owned Aerojet-General.

Though each O'Neil son has been with General Tire since college or earlier (like WO, all are Holy Cross graduates), they assumed their present titles in the parent company during its first major management realignment last April when WO stepped up to chairman. He died five months later, shortly after his 75th birthday.

St. Louis-born Dan Kimball joined O'Neil enterprises after service as a War I pilot. He became a sales manager for General tires in Los Angeles, moved into Aerojet (then Aerojet Engineering Corp) as gen-

eral manager in 1944 when WO made his initial \$75,000 investment in what was described to him as "a buzz bomb factory." Later he increased his investment to \$1,200,000. Aerojet's assets are now over \$100,000,000.

Aerojet had a good year in 1960 with earnings up not quite 10%—though this rise is mild compared with its 36% gain in 1959 and 35% in 1958. Thus in reviewing General Tire operations for the year ended November Gerry O'Neil stressed his belief in the varied nature of the company's business: "1960—a somewhat 'off' year in the tire business—proves more than anything else the value of intelligent diversification."

Fifth largest among US tire makers, General Tire is one of the most widely diversified with over half of its income from Aerojet and RKO. Like its industry rivals, General divisions also include the more natural offshoots from rubber—plastics like Boltaxflex vinyl for fur-

Titan engine chamber by Aerojet



niture, chemicals like paint ingredient Gen-Tac, and industrial products like magnetized gaskets for refrigerators. General also operates the Pennsylvania Athletic Products division of Jeannette, Pa which is the world's largest producer of tennis balls (Pennsylvania, Wilson) and owns 72% of wrought iron producer A M Byers of Pittsburgh.

Gerry O'Neil reported sales from this varied mix reached an alltime high of \$725,000,000 in 1960 though profits dipped to around \$21,000,000 or \$3.75 a share compared with \$26,000,000 or \$4.84 a share in 1959. The young president blamed the profit squeeze on price weakness in the replacement tire market and higher costs of raw materials, especially crude rubber. The latter hits General harder than most tire companies, he explained, "since

our consumption is higher than the industry average."

Gerry O'Neil also recalled 1959 was a "phenomenal" year for his company. Sales of \$676,900,000 were 44% ahead of 1958 and the combination of a good tire year plus sizable gains for Aerojet and RKO bounced earnings up 136% from 1958's \$2.06 a share. Substantially aided by Aerojet, General has grown the fastest of any major rubber maker with sales up more than six times in the past decade while the Big Four sales just about tripled.

General tires roll mostly in the replacement and fleet markets. However, original equipment business has grown in recent years with Chevrolet, Falcon and Comet the chief customers. Tires account for less than half of domestic sales but "well over 50%" on a world basis. The company's 20 subsidiaries and affiliates in 17 foreign countries contributed around \$2,000,000 income from technical fees for 1960.

The company's tire making facilities were greatly expanded with the recent completion of a \$9,500,000 plant in Mayfield, Ky. Said president O'Neil: "This equips us to continue to maintain and improve our position in the inevitable growth of the tire industry."

Shortly before Christmas General Tire received a present which may boost future tire & rubber income. After ten years of applications, court arguments and Patent Office appeals, the company was awarded a patent on its process for making oil-extended synthetic rubber. Gerry O'Neil explained: "All of the tire

Gerry O'Neil fills father's shoes



companies have for some time been using our invention. It is too early to estimate what this means to us in dollars but we expect to charge a reasonable royalty to any company wanting to use it."

Licenses at three-eighths of a cent a pound were immediately offered to the industry. The company also promptly filed infringement suits against US Rubber and Goodyear to certify its position. To date there has been no formal reply from the other rubber companies but General may face further challenges before the patent position is ultimately settled.

Tireless Gains

While the tire business had its ups and downs during 1960, each of General's non-tire divisions showed improvements over 1959. Leading performer was Aerojet-General which accounted for 55% of sales, 43% of profits.

General Tire (GY on the Big Board) holds 3,767,000 of the 4,720,000 Aerojet shares (AJT on the Amex) or 7/10th of a share of Aerojet for each of GY's own 5,770,000 common shares. With AJT at \$53, the holder of each GY share (as of last week) thus gets a \$37 market value stake in the rocket subsidiary. So in a manner of speaking GY pays only \$20 for the parent company's own rubber business and its other interests.

Aerojet is the country's leader in rocket propulsion with 54% of its sales in liquid and 24% in solid propellants. It also makes electronic guidance and tracking devices and other space age specialties. Its sales

for 1960 topped \$400,000,000 or 10% above 1959. Earnings were around \$9,000,000 *v* \$8,200,000.

Dan Kimball acknowledges over 90% of volume stems from R&D contracts for the Government. Headquartered in Azusa outside Los Angeles, the company currently works on the power units for Polaris, Minuteman, Titan I & II and Dyna-Soar. Rocketeer Kimball predicts sales for 1961 might climb to half a billion with profit margins "at least as good as 1960." One of his main goals is to increase margins as Aerojet gradually gets more fixed price contracts.

Broadcasting subsidiary RKO-General has also shown substantial improvement since the "economically unfeasible" movie production & distribution business was abandoned in 1958 though the company still owns TV rights to movies. RKO-General is now the country's largest non-network broadcasting operation. It has TV & radio stations in four of the top six US markets: New York, Los Angeles, Boston and Detroit—the latter through an 88%-owned Canadian subsidiary's station in Windsor. Other stations are operated in San Francisco, Washington, Hartford and Memphis.

Because of tax loss carry-forwards, RKO's \$6,800,000 net income in 1959 was tax free, a saving estimated at \$3,500,000. The tax exemption lasted through 1960 for which RKO netted about \$6,260,000. While "normal broadcasting activities" showed a continued gain last year, the dip from 1959 net profits was caused by some nonrecurring

tax settlements on prior years' income. Tom O'Neil forecasts further growth in 1961 but with tax credits exhausted, net will probably be below 1960. In casting its consolidated accounts, General Tire carries RKO's net directly to its "other income" ledger; thus the RKO gross (\$35,000,000 in 1960) is not included in the parent's consolidated sales figure.

In conjunction with Zenith, RKO-General last June filed for its most advanced project, a three year trial run on pay TV over WHCT in Hartford. At presstime Tom O'Neil hoped for official FCC approval in a decision scheduled for January 20. In any case, brother Gerry adds, "we're gaining valuable experience * * * we sincerely believe this type of entertainment is the best possible kind in the interests of the viewing public."

Carlisle Rubber Bind

LIKE big brother General Tire, smallish Carlisle Corp of Carlisle, Pa (IR, June 22) felt a profit squeeze on tire and rubber products sales last year. The \$14,000,000-assets company reported earnings for 1960 down substantially to 90¢-to-\$1 a share from earlier estimates "near or above" 1959's record earnings of \$1.23—despite record sales

estimated around \$24,000,000.

Carlisle noted a 36% drop in profits last year in its tire & rubber division which makes inner tubes, tires for go-karts, bicycles and industrial trucks, retread material and radiator hose. These tally some 60% of company sales but only 50% of earnings. President George F Dixon Jr comments: "The volume is there but the profit squeeze is on." For 1961 he looks for "some pick-up," depending of course on general economic conditions.

But about the rest of the Carlisle picture president Dixon enthuses: "I can't feel too unhappy. We still had a reasonably good year." Three acquisitions since 1958 brightened matters. The company added Geauga Industries of Middlefield, Ohio, a specialist in rubber & plastic extrusions, in 1958; Tensolite Insulated Wire of Tarrytown, NY, a maker of Teflon-covered wire for the electronics industry in 1959; and just a year ago International Wire Products of Midland, NJ, a leading producer of wire & cable used in electronic components. George Dixon notes: "All are considerably ahead of 1959." He sums up: "Altogether with the addition of International, non-rubber profits for 1960 increased 85%. Volume was up 50% and I look for an increase of around 15% in 1961."

Investor's Reader Staff

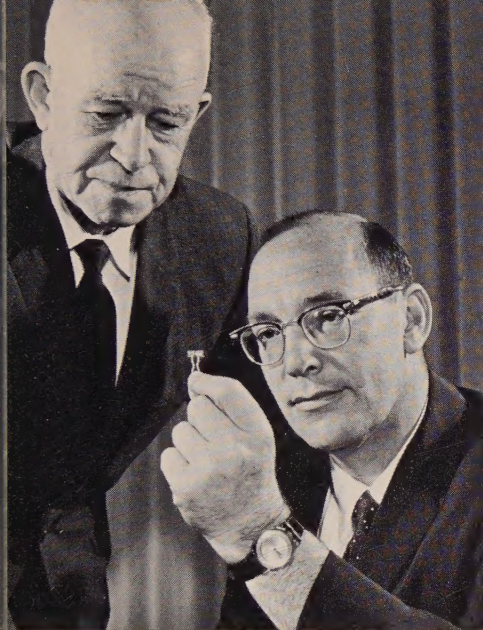
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 Phebe Alexander Anne Gregory
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 Henry R Hecht, *Managing Editor*
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Contributors

Production
 Carol Trick, *Artist*
 Joyce De Mauro
 Annette Miller
 Ellis Barnes, *St Louis*
 Charles Ryan, *New York*
 Joseph Sbath, *Geneva*
 Ann Tyler, *London*
 Paul Weber, *Geneva*
 Dean Woodman, *New York*

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BULOVA TIME TUNE

General of the Army Omar N Bradley, now chairman of the Bulova Watch Company, and Bulova president Harry B Henshel here admire a tiny tuning fork which is literally the heart of the latest company product. The "Accutron" electronic wrist-watch (worn by Harry Henshel) keeps super-accurate time—less than a minute's variation a month—through the vibrations of the tuning fork which does away with conventional watch movements. Introduced in October, the transistorized Accutron (powered by tiny \$1.50

cells lasting a year) retails from \$175-to-395 and "we've been able to sell as many as we can presently make."

At the same time Bulova has moved into the low-priced field through expansion of its Bienne plant in Switzerland and a two-way agreement with the Citizen Watch Company of Tokyo. The Japanese firm became sole East agent for Bulova's higher-priced watches; on the second hand, it manufactures jewel-lever watches which Bulova will retail in the US and Canada under its new Caravelle trademark at \$14-to-25 to compete with cheaper pin-lever watches.

Watches still account for 60% of Bulova sales. Another tenth comes from the eight-year-old Special Products division, producers of miniature transistorized radios, portable stereo phonographs, etc. Bulova Research & Development Laboratories, formed in 1950, and two other divisions make missile arming and fuzing devices and other defense & industrial electronics products. In addition Bulova bought 28% of jeweler Tiffany Company in 1956-57.

On the Big Board Bulova's 1,949,000 shares are currently around 16. They had topped 25 in 1955 as earnings (for the March 1956 year) climbed to a peak \$3,480,000 or \$1.79 a share. There followed three years of decline which were finally checked in fiscal 1959/60 when profits recovered to \$1.37 a share from \$1.30 (including 52¢ non-recurring income) a year before. For the 26 weeks ended last October 2, earnings were down to 48¢ from 56¢, largely due to "startup and promotional costs." Harry Henshel expects somewhat better earnings for the full fiscal year.

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VINTAGE YEARS

Retirement years are supposed to be vintage years for enjoying all the things there was no time for earlier.

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